

**DEPARTMENT OF EMERGENCY MANAGEMENT
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Department of Emergency Management for the year ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- an internal control matter that we consider a reportable condition; however, we do not consider this matter to be a material weakness; and
- no instances of noncompliance with material laws and regulations that are required to be reported.

February 4, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Emergency Management** (the Department) for the year ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenue and Cash Receipts
Expenditures
Federal Contract Management

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered the materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable,

but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted a certain matter involving internal control and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. This reportable condition entitled, "Document Critical Agency Procedures" is discussed in the section entitled, "Agency Highlights." We do not believe this reportable condition is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and the people of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on February 21, 2002.

AUDITOR OF PUBLIC ACCOUNTS

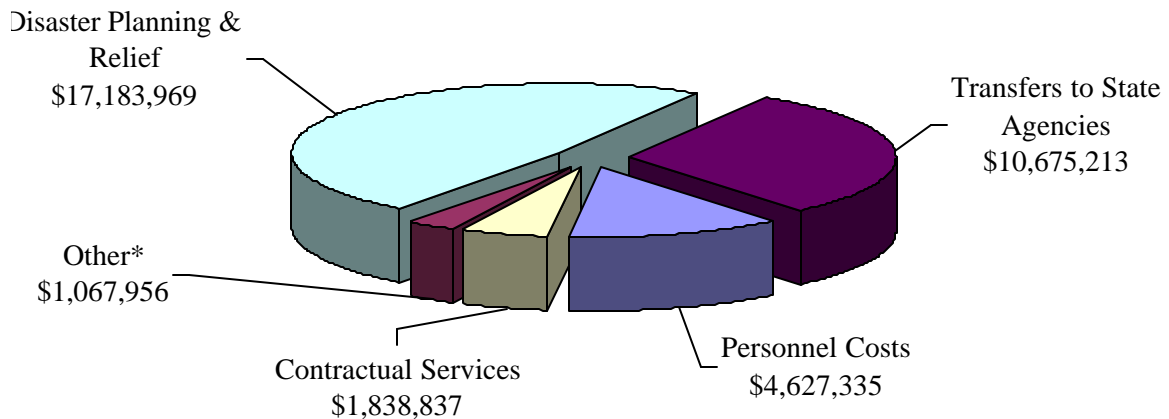
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AGENCY HIGHLIGHTS

The Department of Emergency Management directs and coordinates the Commonwealth's Comprehensive Emergency Management Program. The Department's major activities include developing and implementing hazards crisis response, recovery, and reduction programs for major emergencies and disaster relief, and ensuring the provision of assistance to local governments and citizens. In addition, the Department provides terrorism training to fire, rescue, and law enforcement professionals and coordinates efforts with hazardous materials teams to provide a response to a terrorist incident.

The Department receives its primary funding from Federal grants. Both federal and state government provide assistance for presidential-declared disasters on a reimbursement basis. In addition, the Commonwealth also provides funds for those disasters declared by the Governor that are not large enough to qualify for a federal disaster declaration. During fiscal year 2001, the Department received \$11.4 million in state appropriations and collected \$2.4 million in special revenues. The Department also received \$23 million in federal revenue. The chart below shows the use of these funds. There were no federal or state declared disasters during fiscal year 2001. Expenses for the fiscal year ended June 30, 2001 totaled \$35.4 million, of which \$10.7 million were transfers to other state agencies.

FY 2001 Expenses



*Other includes payments for supplies, equipment, rent, and utilities.

Document Critical Agency Procedures

The Department has not documented critical agency program operations and procedures; nor, have they cross-trained staff to perform key duties in the event of unexpected loss of personnel. As a result, the Department has not been able to promptly pay locality reimbursement requests or meet required filing deadlines for federal funding.

Although limited staffing has hindered the agency's ability to cross-train staff, the Department should make all efforts to document procedures related to key agency functions and operations to help ensure continuation of these functions in the event of staff turnover or other unexpected business disruptions. Failure to document these procedures could impair the agency's ability to respond to disasters and meet federal filing requirements necessary for funding.

DEPARTMENT OF EMERGENCY MANAGEMENT
Richmond, Virginia

Michael Cline, State Coordinator

George Foresman, Deputy Coordinator

Ralph Jones, Operations Senior Director

Harry Colestock, Recovery and Administrative Services Director

Linda Coleman, Fiscal Director